

The complaint

Miss M says Nationwide Building Society, ('Nationwide'), irresponsibly lent to her. She says that it didn't take reasonable steps to ensure she could afford the repayments towards a credit card, and the card had a strong negative impact on her financial wellbeing. She says that this led to an unsustainable pattern of borrowing which caused problems going forward.

What happened

Our Investigator thought the complaint should be upheld. Nationwide disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Miss M's complaint shouldn't be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about a credit card agreement that Miss M took out in December 2020. The card had a credit limit of £1,600. There were no credit limit increases.

Miss M has also complained about the overdraft facilities she had on some of her bank accounts. This complaint has been considered separately.

Miss M complained to Nationwide saying that when the card was approved she was a student, and she was not in full time employment. So, she could not repay the lending.

Nationwide considered this complaint, and it didn't uphold it. It thought it'd made proportionate checks, which showed that Miss M could afford the card. Miss M didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator upheld Miss M's complaint. She thought Nationwide didn't do proportionate checks. But if it had made better checks it would have seen there was no source of sustainable, or regular, income at the time she applied for the card. Miss M was reliant on her overdraft and finding it difficult to manage her finances at the time.

Nationwide didn't agree with the Investigator. It said that there was nothing unusual about Miss M's application as a student, and it was reasonable to rely on what she said for a low credit limit of £1,600. And, due to the low credit limit, its checks were based on credit reference agency ('CRA') data and risk. This didn't show any need for further checks.

There was some further correspondence, but no new issues were raised. Because Nationwide didn't agree, this matter has been passed to me to make a final decision.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Nationwide complete reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit in a sustainable way?
 - a. if so, did Nationwide make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss M could sustainably repay the borrowing?
2. Did Nationwide act unfairly or unreasonably in some other way?

And, if I determine that Nationwide didn't act fairly and reasonably when considering Miss M's application, I'll also consider what I think is a fair way to put things right.

Did Nationwide complete reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Nationwide has explained that it asked Miss M about her income and circumstances, and she told it that she was a student, and she had a gross annual income of £16,000 a year. As far as I can see Nationwide didn't verify Miss M's income. Miss M has said that this was an estimate of her income from her part time employment and student grants. And that there was some uncertainty about her work situation as she had 'zero hours' contracts and affected by the Covid-19 pandemic.

Nationwide looked at some information from a credit reference agency, and it found that she had just over £2,500 in debt already, but she'd had very little problem repaying this. She had missed one direct debit repayment in November 2020, but this was the only sign of potential problems. And Nationwide has said that one returned direct debit wouldn't have caused concern (as opposed to two returned direct debits).

Nationwide would have been aware that Miss M had an overdraft with it, and she was using this. Of course this may have prompted some concern, but she was a student, and this is typically a time when some debt is accrued and so I don't think this is especially problematic here. And looking at the bank statements provided, there isn't significant evidence of financial problems such as returned direct debits (as above) or other missed payments. And Miss M seems to be able to pay for her normal living expenditures. I don't think the use of her overdraft, at this time and given her circumstances, is evidence of financial problems to the degree that she shouldn't have been approved for a credit card.

I think the most important aspect of Miss M's circumstances is that whilst she was a student and had the related debt that you would expect of someone at this time of life, she seemed to be managing her finances relatively well. And this is reflected in the information that Nationwide received.

Part of the money she had coming in was from student finance. And her employment wasn't always regular. So, she didn't always have a regular monthly income. But her student finance payments were fixed and at regular points. And she did have a less regular income at other times. So, I don't think it's unreasonable to say she did have money coming in on a regular basis. And her estimate of the total of this doesn't seem to be too far away from what this would have been.

So, I think the checks that Nationwide did were proportionate overall and they allowed it to form a reasonable picture about Miss M's circumstances. And in thinking this I've borne in mind that this was a very modest amount of credit with correspondingly low monthly repayments. I think the lending decision was reasonable here.

And it's worth noting that going forward Miss M didn't have any problems repaying the card until 2022 when I understand she was no longer in work. Whilst this doesn't affect the lending decision, it does tend to suggest that the lending wasn't fundamentally unaffordable. Rather it became less affordable when her circumstances changed later.

So, and while I appreciate this will come as a disappointment to Miss M, I'm satisfied that, Nationwide carried out reasonable and proportionate checks and these showed the finance was sustainably affordable.

Did Nationwide act unfairly or unreasonably in some other way?

I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think it lent irresponsibly to Miss M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I haven't seen anything to make me think Nationwide acted unfairly or unreasonably in some other way.

Development

Nationwide, and Miss M, received my provisional decision. Nationwide agreed with what I said, Miss M didn't have anything to add after receiving it.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Nationwide and Miss M didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think that Nationwide carried out proportionate checks and that these showed the lending was fair. I'm not upholding this complaint.

My final decision

For the reasons set out above, I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 November 2025.

Andy Burlinson
Ombudsman